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S E C R E T KUWAIT 001153

SIPDIS

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SUBJECT: TFI201 - KUWAITI OIL FOR JORDAN

Classified By: Ambassador Richard H. Jones for reasons 1.5 (B) and (D)

11. (S) Ambassador spoke with Kuwaiti Minister of State for Foreign Affairs Shaykh Mohammad Sabah Al-Salem Al-Sabah afternoon of Thursday, March 27 on the status of Kuwait's agreement to provide Jordan with 25,000 barrels of oil per day (BPD) in light of the loss of Iraqi oil supplies. Ambassador noted USG understanding that the Jordanians were loading Saudi oil from the Ras Tanura terminal in the Persian Gulf, and suggested the same tanker might load Kuwaiti oil from the Neutral Zone terminal at Khafji. (The GOK had previously proposed a swap of Khafji oil for Saudi crude to be loaded at the Saudi Red Sea terminal at Yanbu.)

12. (S) Dr. Mohammed said that he had spoken to Jordanian Foreign Minister Marwan Muasher earlier, and they had indeed already reached such an agreement. Oil experts were now working out the details of a loading schedule.

13. (S) The MinState expressed his surprise that the Jordanians were lifting at Ras Tanura, given the short distance from Yanbu to Aqaba, and Ambassador opined that perhaps a full loading schedule at Yanbu may have precluded quick Jordanian access to the facility. Dr. Mohammed also questioned the Saudi refusal to accommodate the proposed swap, with Ambassador briefly outlining Saudi concerns about the legal complexities of swaps and desires for simplicity and discretion.

14. (U) On March 29, local English-language daily "Arab Times" carried an AFP report which quoted 'industry sources' as saying that Jordan had secured 50,000 bpd from Saudi Arabia and 25,000 bpd from Kuwait to replace suspended Iraqi supplies. The sources said that Jordan was paying 'full market prices' for the crude.

15. (S) COMMENT: Necessity is the mother of invention. Hopefully, this will be the last U.S. midwifery of the deal, but we are not counting on that. END COMMENT.
JONES